



QUICK GUIDE:

The Pros and Cons of Unlimited Vacation

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Decisions, decisions, decisions. Just like an employee trying to decide if they should use some of their “unlimited vacation,” an HR professional can have an intensely difficult time deciding whether to install such a policy in the first place. Both decisions require more thought than one might initially believe.

At first blush, the concept of unlimited vacation (also known as flexible time off, discretionary PTO, etc.) sounds like a dream, not only for employees but employers as well. In theory, employees gain the freedom to take as much time as they need without worrying about accruing hours, while employers gain a recruiting tool that improves employee happiness and costs almost nothing to implement. What could be better?

Unfortunately, unlimited vacation isn't so simple, either from a policy or a practical standpoint. In fact, the real-life repercussions of unlimited vacation are very nuanced, as anybody who has experienced it can tell you. And there's no simple answer to the question of whether or not an organization should implement such a policy in the first place. That answer has to be determined on a case-by-case basis, and if you're thinking about adding unlimited vacation to your company, you should carefully consider the arguments for and against.



PROS

Here are four reasons you may want to think about an unlimited vacation policy:

1. EMPLOYEES LIKELY WON'T TAKE MORE VACATION DAYS

This is probably employers' number-one concern, so let's get it out of the way. Unlimited PTO doesn't mean you'll show up during the fourth quarter to an office resembling the Empty Quarter. Employees with unlimited PTO use about the same number of vacation days as those with traditional PTO policies—in some cases even fewer. With no balance to use up, employees feel less motivation to spend PTO, and discretion is also a huge factor. Managers are far more likely to feel justified in saying no to time-off requests that they feel leave their team understaffed.

2. IT MAKES FINANCIAL SENSE

Aside from the possibility that your employees will take fewer days off (an obvious financial benefit), there's the very real benefit of eliminating accrued hours that need to be paid out when an employee leaves. With an unlimited PTO policy, there are no hours earned, and therefore no balances to carry over or pay out. This is a double-edged sword, however, as we'll discuss later.

3. IT'S A GREAT RECRUITING TOOL

As recruiting tools go, unlimited PTO is far cheaper than catered lunches or company-sponsored daycare, and it's a great way to broadcast your company's progressive values. With companies like LinkedIn and Netflix adopting the policy, it carries with it some clout that is certain to stand out in the recruiting process.

4. IT'S EASY TO IMPLEMENT

... As long as you have a great HR program. If you're using the right HRIS system, switching to flexible time off shouldn't involve a lot of paperwork beyond writing a memo to all employees. The right software tools will make it as easy as going in and making an update to your PTO system with the options you want to add or subtract.

CONS

Here are four reasons to hold off on unlimited vacation policies:

1. IT'S NOT REALLY UNLIMITED

When you replace traditional PTO with discretionary PTO, you remove the objective component of earned vacation time. In both systems, there are reasons why employers might not grant time off: deadlines, presentations, performance issues, meetings, and conferences, to name a few. But while traditional PTO still requires approval, there's also a certain sanctity to the idea of earned hours. Without that, any reason for denying a vacation request, legitimate or not, is likely to breed resentment around the new system.

2. EMPLOYEES FEEL PRESSURED TO WORK

... And not in a good way. Time off is essential for positive culture, and whether it's the shadow of a motivated boss or a perceived competition with coworkers, employees without set vacation hours may feel pressure to work instead of taking a vacation. Whether the pressure is internal or external, the psychological stresses can be damaging either way. For many, the mere thought of a negative hour balance is enough to discourage them from requesting leave (even if taking time off is in their best interest).

3. IT'S HARD TO TRACK

Flexible time-off policies are modern and abstract; not so with the federal government. If you're not tracking hours, you may also have no way to track federally mandated leave like FMLA. That puts you in a position worse than the one you were in, back to the days of paper tracking and filing.

4. EMPLOYEES MAY NOT WANT IT

Older, veteran employees who've been building up vacation steadily over the years may have been planning to use accrued vacation hours for a sabbatical or even as a severance bonus. If the change to a new system coincides with flat earnings or downsizing, employees might question your motivations. This is to say nothing of the psychological drawbacks mentioned above (in #2)—many employees in the workforce have already grown to dislike unlimited PTO and its perceived reputation.

Despite its growing popularity, unlimited vacation may or may not be the best choice for you. So far, it seems to favor companies with strong cultures and younger, more policy-flexible employees who haven't already stashed away large PTO balances. But perhaps more important than the organization is the policy itself: a well-defined flexible PTO policy, with its boundaries and expectations clearly expressed, is key for both the employee and employer to realize a benefit.

Whether you choose a flexible PTO policy or a more traditional policy, PTO only succeeds when implemented correctly. Encouraging employees to take time off, setting good examples at the executive and managerial levels, and being upfront about the parameters around your policy can help reduce uncertainty at the employee level. And having a great HR system designed to make both traditional and modern PTO policies fit seamlessly into your business certainly can't hurt.



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